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GROWTH SECTORS BASELINING - SUSTAINABLE TOURISM

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ekosgen

Highlands and Islands Enterprise
Iomairt na Gàidhealtachd 's nan Eilean

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1 Introduction

1.1 In December 2014, ekosgen was commissioned by Highlands and Islands Enterprise (HIE) to undertake the first stage of a baselining study for the Sustainable tourism and Food and drink sectors.

1.2 This report sets out the baseline for the Sustainable tourism sector.

Study Background

1.3 The study follows on from a scoping exercise completed by ekosgen in September 2014 to review the growth sector definitions and to identify the relevant indicators and datasets that could be used to measure the scale of the sectors and the contribution that they make to the Scottish economy. This resulted in:

- **A Sector Definition Paper** that discussed the coverage of the existing Scottish Government definitions and identified potential gaps and data limitations for each sector in the Highlands and Islands; and
- **The Highlands and Islands Growth Sector Measurement Framework** which set out the final sector definitions and a consistent and comparable approach to measuring the scale of each sector that can be updated over time and benchmarked against national performance. The framework also included recommendations on primary research that could be undertaken with the business base to gain a deeper understanding of local activities and gather information that is not available through standard datasets.

Measuring the Sectors

1.4 The measurement framework identified that (with the exception of sustainable tourism), each sector requires analysis to be undertaken for two definitions - a statistical, SIC based definition and a wider narrative based definition - to gain comprehensive coverage of the sector's activities.

1.5 The statistical, SIC-based sector definitions, which are consistent with the Scottish Government definitions, provide a useful means for directly comparing activity in the Highlands and Islands with the Scottish economy and consistently setting out the region's contribution to these sectors. They can also easily be applied to standard datasets.

1.6 The definitions are, however, restricted by SIC code limitations. This includes difficulties with identifying and isolating specific, and especially new or non-traditional, activities within wider SIC descriptions and capturing companies which cut across a number of sectors, given that companies are classified under the single code that reflects their primary area of business. As such, the SIC approach is typically more suited to providing estimates of direct economic activity within a specific sector, rather than the associated indirect employment in the supply chain, although this varies on a sector by sector basis.

1.7 **This study focuses solely on analysis using the statistical based definitions.**

Data Sources

1.8 Scottish Government's national and Local Authority Growth Sectors Databases have been used to access the majority of data set out in this report. The databases draw upon data from the Business Register and Employment Survey (BRES), Inter Departmental Business Register (IDBR), and the Scottish Annual Business Survey (SABS) to provide key statistics on employment, businesses, GVA and labour costs for each of the Growth Sectors. In each case the data for the most recent year has been used, although the varying time lags of each dataset mean that this ranges from 2012 to 2014.

1.9 In order to provide sub-sector analysis, further analysis has also been undertaken of the BRES and requests have been submitted to Scottish Government for additional data from the IDBR and SABS.

Data Limitations

1.10 There are a number of limitations associated with the datasets that need to be considered when interpreting the analysis. These include issues which apply to all areas and sectors, as well as those which are more pronounced in the Highland and Islands:

- **Confidentiality:** In line with the Statistics of Trade Act, which imposes restrictions on the way that survey data may be used, there are a number of confidentiality issues which prevent data for small and/or sparsely populated areas, small sectors, sub-sectors and individual SIC codes being presented. These restrictions aim to protect the identity of individual enterprises from being disclosed or otherwise deduced. In some cases, this limits the availability and level of detail that can be presented for the Highlands and Islands, particularly when trying to provide sub-regional data for small sectors and sub-sectors.
- **Sampling:** The majority of standard datasets are based on surveys conducted with a representative sample of the business base. While all large companies with 250 plus employees are automatically surveyed each year, the sample of micro, small and medium companies varies. The reliability and confidence levels of the sample vary by sector and area although exact details on the estimated level of confidence are not available at this level.
- **Coding consistency:** As with any survey and data based approach, there is room for error in datasets and databases. Given that businesses self-select their sub-sector each time they are surveyed (sometimes with limited knowledge of the classification system) and that the classification focuses on the primary activity of the company, there are also issues around secondary and cross cutting activities not being recognised and companies being coded to different sectors and sub-sectors each year. These limitations could result in the activity against a specific sub-sector looking higher/lower than local economic development officers and specialists would expect and can affect the comparability of data in fine grained sub-sectors leading to unexpected fluctuations in time series data.

1.11 In the case of sustainable tourism, the data limitations are less of a concern due to the scale of the sector.

Report Coverage

1.12 This report sets out a baseline of the sustainable tourism sector using the statistical based definition outlined at the start of the next chapter. The relevant key messages from the sector definitions paper and measurement framework relating to the coverage and gaps of the definition and data limitations are also summarised.

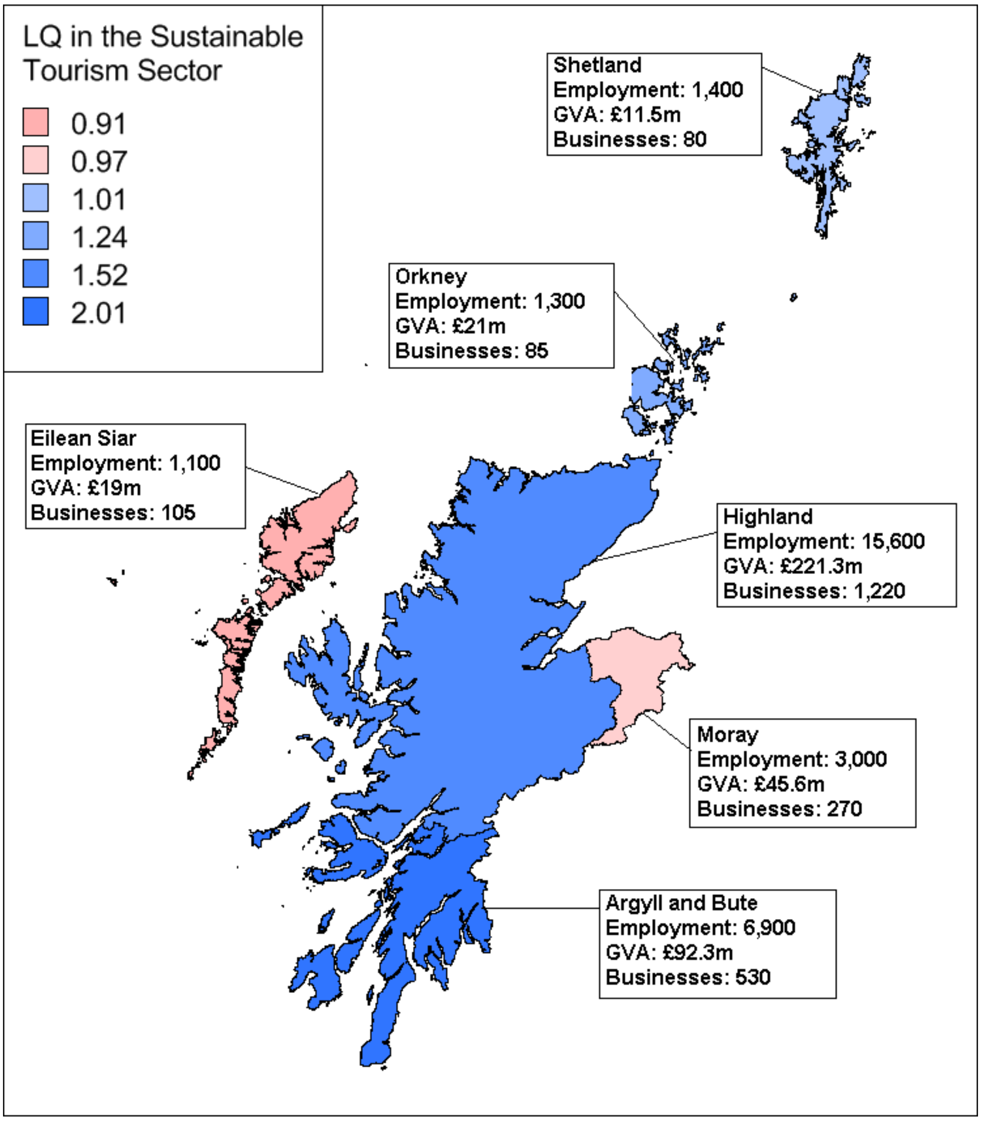
1.13 In parallel to this study, HIE are currently exploring options for taking forward analysis using the narrative based definitions and carrying out primary research on a sector by sector basis.

2 Sustainable Tourism

Snapshot of the Sustainable Tourism Sector in the Highlands and Islands

Employment	29,300	GVA	£410.7m
Location Quotient	1.44	GVA per Employee	£14,018
Businesses	2,255	GVA per Employee (% national av)	91%
small	2,160	Labour Costs	£243.3m
medium	55	Labour Costs per Employee	£8,204
large	40	Labour Costs per Employee (% national av)	87%

2.1 The map below shows the distribution of the sustainable tourism employment, business base and GVA generated across the Highlands and Islands. The Location Quotient (LQ) provides an indication of how highly represented the tourism sector is within the employment base of each area compared to the national level[1]. As the map shows, the tourism sector is highly represented in all areas except Moray and Eilean Siar.



[1] A LQ of one indicates that employment in the sector is equivalent to the national level, while a sector with a LQ of more than one denotes a high level of representation and specialisation. A LQ of less than one highlights that a sector is under-represented.

Sector Definition

Definition

2.2 The current Scottish Government definition focuses on some of the activities undertaken by tourists and the accommodation and food and beverage businesses that they use. It can be argued that these cover the main types of businesses where visitors will spend money.

Scottish Government Definition of Sustainable Tourism

- SIC 55.1-3: Hotels and similar accommodation; Holiday and other short-stay accommodation; Camping grounds, recreational vehicle parks and trailer parks
- SIC 56.1 and .3: Restaurants and mobile food service activities; Beverage serving activities
- SIC 79.12: Tour operator activities
- SIC 79.9: Other reservation service and related activities
- SIC 91.02-4: Museum activities; Operation of historical sites and buildings and similar visitor attractions; Botanical and zoological gardens and nature reserve activities
- SIC 93.11: Operation of sports facilities
- SIC 93.199: Other sports activities (not including activities of racehorse owners) nec
- SIC 93.21: Activities of amusement parks and theme parks
- SIC 93.29: Other amusement and recreation activities

2.3 The Scottish Government definition captures most of the direct activity in the sector, in terms of the activities that visitors undertake. While the definition is viewed as being comprehensive, there are two key points to note which relate to the balance between visitor and resident related activity at service outlets:

- It should be recognised that each of these SIC codes will capture more activity than is simply visitor related as local residents will, for example, also eat at restaurants, and play golf in the area. Given that the only way of separating visitors and resident based activity would be through a resource intensive survey, and that their exclusion would create confusion when comparing the size of the sector with that in other areas (given that these businesses are generally included within the economic contribution of tourism), it is recommended that this limitation is accepted and noted.
- Similarly, visitors will also shop in the local area, and in more remote parts of the region some retailers obtain 50% or more of their annual turnover from visitors rather than residents. Unlike restaurants, none of this activity is captured in the Scottish Government definition. However, it is concluded that it would be misleading to include retail in the definition given that only a small proportion of activity across the overall retail sector is derived from visitors.

2.4 With regards to the supply chain, it could be argued that parts are already covered by the Scottish Government definition if accommodation and beverage services were to be viewed as part of the supporting infrastructure that is required by tourism providers. In the vast majority of cases, visitors to the Highlands and Islands will come to take part in a specific activity, for example, to play golf or go walking rather than, say, stay in a specific hotel. In this sense, accommodation providers are part of the supporting infrastructure that is required by tourism activity providers and could be viewed as part of the supply chain.

2.5 The wider supply chain includes activity to supply tourism businesses, such as food and drink manufacturers/wholesalers and construction companies carrying out repairs. Much of this activity is very hard to distinguish because suppliers to hotels, activity providers etc. will only generate a (often small) proportion of their turnover from tourism businesses.

2.6 While this is not covered by the definition, as with retail services, the inclusion of additional SIC codes would overstate the sector's indirect impacts and it would be unrealistic to include all of the suppliers' activity within the tourism sector's supply chain. This may change in future years, with the importance of tourism demand growing for some suppliers, such as food and drink retailers, resulting from increasing visitor interest in local provenance.

2.7 Instead, it will be more useful to continue with the current approach of focusing on capturing the different elements of the tourism system that are required to support a successful visitor economy (i.e. visitor attractions/ activities, accommodation and food and drink service outlets).

Gaps in Statistical Definition

2.8 Given that there are not any significant gaps in the Scottish Government statistical definition of tourism, there is less of a need for a narrative based definition than in other sectors. Were this required, it would focus on the types of activities that visitors undertake i.e. their trip purposes. The primary purposes/ sub-sectors are business, visiting friends or relatives (VFR), marine, adventure, walking, wildlife, sports (e.g. golf, snowsports), events and festivals which cannot be distinguished through SIC codes.

Data Limitations

2.9 Seasonal employment is common across the tourism sector, with the number of part time and full time jobs increasing over peak visitor/holiday periods. The timing of the ONS data collection is outside the main tourism season and therefore will not capture seasonal employment. This needs to be noted when reviewing the employment data set out in the chapter. The average increase in employment over this period could be explored through any primary research undertaken with employers in the sector.

Employment

Scale of Employment

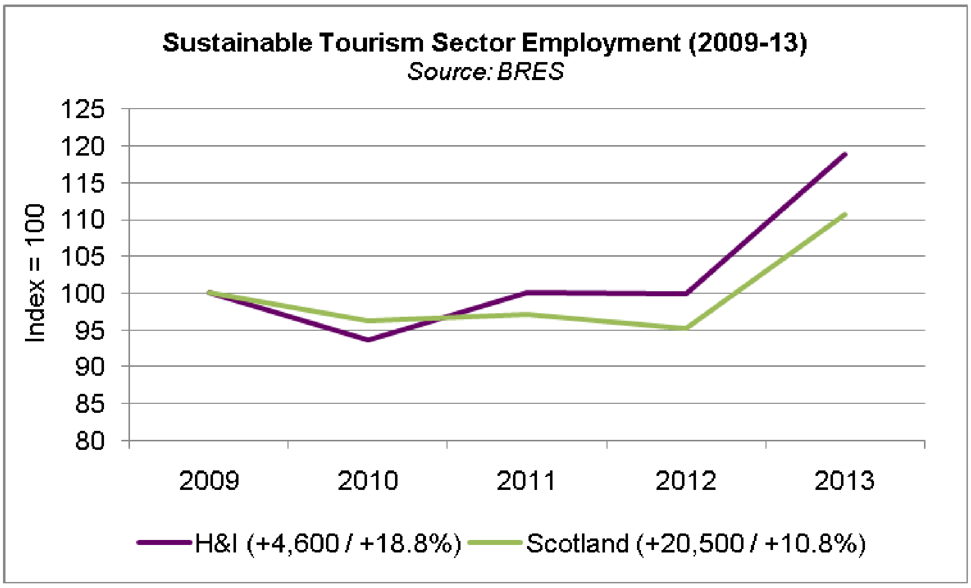
Employment in the Sustainable Tourism Sector (2013)	
Highlands and Islands	29,300
Scotland	211,200
Source: BRES	

2.10 Tourism is the second largest of the growth sectors in employment terms. In 2013, there were 29,300 individuals in employment in the sustainable tourism sector, accounting for 12% of total employment in the Highlands and Islands and 14% of Scotland's tourism jobs. Relative to the size of the local economy, the tourism sector is highly represented, with employment shares over one and a half times the national average (with a location quotient of 1.44).

2.11 Between 2009 and 2013, the tourism sector has experienced strong growth, resulting in 4,600 additional jobs – this was more than double the number of jobs created in the other growth sectors in the Highlands and Islands over this period. The level of growth also outstripped the national average.

2.12 The strong levels of growth were in spite of employment decline between 2009 and 2010, when the tourism sector in the Highlands and Islands experienced a sharper decline than the national sector. This may in part be due to a successful and boosted 2009 in the sector from the Year of the Homecoming and domestic visitors' staycations.

2.13 However, a stronger growth in tourism in the Highlands and Islands post 2010 has helped to boost overall levels of growth. Between 2010 and 2013, employment increased by 27% (+6,200) in the Highlands and Islands compared to 15% nationally.



Sub-Sectors and Local Employment Specialisms

2.14 The tourism sub-sectors vary significantly in size in employment terms. With over 12,700 employees, hotels and similar accommodation is by far the largest sub-sector accounting for almost half of tourism employment in the Highlands and Islands. This is followed by restaurants and mobile food service activities (7,400 employees), which is almost three times larger than the remaining sub-sectors. Beverage serving activities, the operation of sports facilities and holiday and other short stay accommodation (including self catering accommodation) are also large sub-sectors with at least 1,200 employees each.

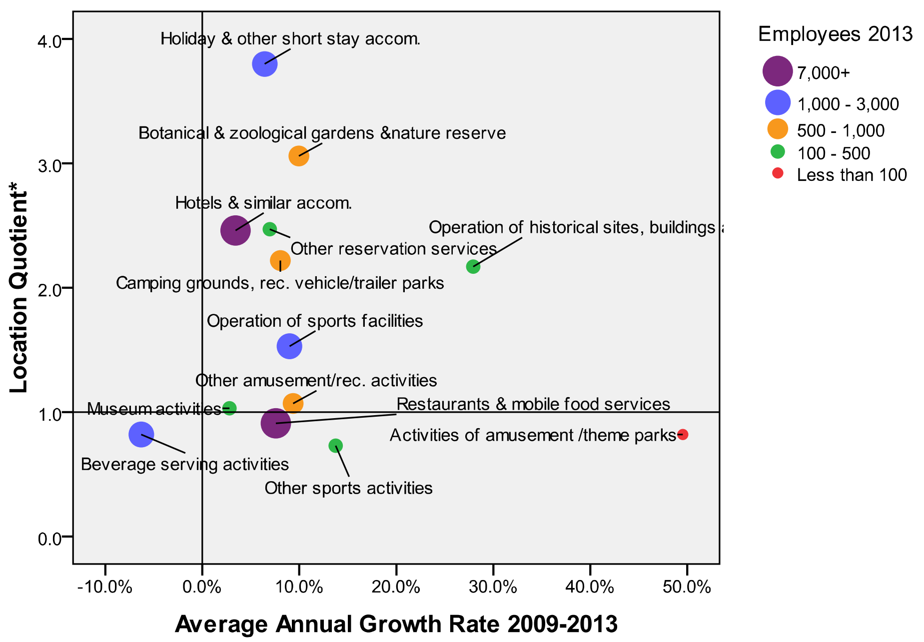
2.15 10 of the 14 sub-sectors, including most of the largest sub-sectors, are highly represented in the Highlands and Islands with a LQ of over 1. In particular, holiday and other short stay accommodation and botanical and zoological gardens and nature reserve parks are notably highly represented, with LQ's of 3.8 and 3.1 respectively. This high representation is partially a reflection of a large concentration of B&Bs, guest houses, caravan parks and other short-stay rental accommodation located in the area for the former sub-sector, and safari parks, such as Highland Wildlife Park near Aviemore, and other cultural and Scottish Natural Heritage sites, including over half of Scotland's 47 National Nature Reserves, located in the area for the latter sub-sector.

Employment in the Sustainable Tourism Sector (2013)			
SIC	Highlands and Islands	Scotland	Location Quotient
55.1: Hotels and similar accommodation	12,700	53,600	2.46
56.1: Restaurants and mobile food service activities	7,400	84,400	0.91
56.3: Beverage serving activities	2,600	32,600	0.82
93.11: Operation of sports facilities	2,000	13,600	1.53
55.2: Holiday and other short-stay accommodation	1,200	3,400	3.80
91.04: Botanical and zoological gardens & nature reserve activities	600	2,000	3.06
55.3: Camping grounds, recreational vehicle parks and trailer parks	500	2,500	2.22
93.29: Other amusement and recreation activities	500	4,900	1.07
91.03: Operation of historical sites and buildings and similar visitor attractions	500	2,400	2.17
91.02: Museum activities	400	4,400	1.03
79.9: Other reservation service and related activities	400	1,700	2.47
93.199: Other sports activities (not including activities of racehorse owners) nec	300	4,100	0.73
93.21: Activities of amusement parks and theme parks	100	800	0.82
79.12: Tour operator activities	0-	1,000	0.39
Total for the sector	*29,300*	*211,200*	*1.44*

Source: BRES
- Figure has been rounded down
Note: Figures may not sum due to rounding

2.16 Between 2009 and 2013, the large majority of tourism sub-sectors experienced employment growth. The overall growth in the sector was driven by the two largest sub-sectors – restaurants and mobile food services, and hotels and similar accommodation, which created 1,900 and 1,600 jobs respectively. The operation of sports facilities also created over 500 jobs. Beverage serving activities was the only sub-sector to contract in employment terms, with the loss of approximately 760 jobs.

Highlands and Islands - Tourism Employment Growth (2009 - 2013) and Specialisation (2013)



*Note: Tour operator activities are excluded from the above diagram due to a limited number of employees in the subsector.

Geographical Distribution of Employment

2.17 The sector is recognised as being a significant component of the Highlands and Islands' economy. This includes supporting employment in the more remote parts of the region where the range of employment opportunities is limited. This sector is well represented across each of the local authority areas, although there are some areas, such as Shetland, where non-business related tourism is low. Employment levels are particularly high in Argyll and Bute and Highland.

Employment in the Sustainable Tourism sector by Geography (2013)				
Geography	**Employment**	**% of H&I**		**Location Quotient**
		Sustainable Tourism	**All Sectors**	
Highlands and Islands	29,300	100%	100%	1.44
Highland	15,600	*53%*	*51%*	*1.52*
Argyll and Bute	6,900	*24%*	*17%*	*2.01*
Moray	3,000	*10%*	*16%*	*0.97*
Shetland	1,400	*5%*	*6%*	*1.01*
Eilean Siar	1,100	*4%*	*5%*	*0.91*
Orkney	1,300	*4%*	*5%*	*1.24*

Source: BRES
Note: Figures may not sum due to rounding

2.18 In Highland, this reflects its larger economy, physical size and population. This will feed through to higher levels of resident spend at restaurants, leisure and facilities. Highland will also benefit from a number of internationally known 'must visit' sites/ areas such as Loch Ness, Skye and John O'Groats.

Business Base

Scale of Business Base

2.19 The data presented in this section is based on the Inter Departmental Business Register. It should be noted that data from the IDBR is subject to rounding in line with data confidentiality requirements. Typically numbers in the IDBR are rounded to the nearest 5. In particular, this should be noted when reviewing business data broken down by size band, sub-region and sub-sector, where a small number of businesses may be rounded down to 0 or up to 5. As such, these figures should be treated with caution.

Scale of Business Base

2.20 In 2014 there were over 2,200 sustainable tourism businesses in the Highlands and Islands, accounting for 11% of the total Highlands and Islands business base and 16% of the sector's businesses nationally.

2.21 The business density in the sector is almost double the national average, with 7.4 businesses per 1,000 residents compared to 4 nationally, reflecting the area's higher concentration of tourism activity.

Business Base in the Sustainable Tourism Sector (2013)		
	Business Base	**Business Density**
Highlands and Islands	2,255	7.42
Scotland	14,000	4.04

Source: IDBR and Mid-Year Population Estimates
[1]Number of businesses per 1,000 residents using IDBR (2014) and Mid-Year Population Estimates (2013)

Size Profile of the Business Base

2.22 Nationally, the sector is characterised by micro and small businesses employing up to 49 employees. The size profile of the sector is largely in line with the profile of the overall business base.

Business Base Composition (2014)							
	Small (0-49 employees)		**Medium** (50-249 employees)		**Large** (250+ employees)		**Total**
	No.	%	No.	%	No.	%	No.
Scotland Tourism	13,515	97%	335	2%	145	1%	14,000
Scotland total	160,450	96%	3,780	2%	2,295	1%	166,525

Source: IDBR
Note: Figures may not sum due to rounding

2.23 When the size profile of the Highlands and Islands' tourism business base is compared to the national sector profile, the area has a slightly higher concentration of sole traders and large businesses.

Business Base Composition (2014)									
	Zero		**Small** (1-49 employees)		**Medium** (50-249 employees)		**Large** (250+ employees)		**Total**
	No.	%	No.	%	No.	%	No.	%	No.
H&I Tourism	220	10%	1,940	86%	55	2%	40	2%	2,255
Scotland Tourism	1,135	8%	12,380	88%	335	2%	145	1%	14,000

Source: IDBR
Note: Figures may not sum due to rounding

Geographical Distribution of the Business Base

2.24 In line with employment, over half of tourism businesses are based in Highland, where the tourism business density exceeds the regional average. Reflecting the high concentrations of employment, Argyll and Bute also has the highest business density, which is approximately twice the national average. While the business density is lower in areas such as Shetland and Moray, it still exceeds the national average for the sector.

Business Base Composition in the Sustainable Tourism Sector (2014)				
Geography	**Total**	**% of H&Is**		**Business Density**[1]
		Sustainable Tourism Sector	**All Sectors**	
Highlands and Islands	2,255			7.42
Highland	*1,220*	*53%*	*49%*	*8.36*
Argyll & Bute	*530*	*23%*	*18%*	*9.89*
Moray	*270*	*12%*	*14%*	*4.55*
Eilean Siar	*105*	*5%*	*5%*	*6.29*
Orkney	*85*	*4%*	*7%*	*6.30*
Shetland	*80*	*3%*	*7%*	*5.44*
Scotland	14,000			4.04

Source: IDBR and Mid-Year Population Estimates
[1]Number of businesses per 1,000 residents using IDBR (2014) and Mid-Year Population Estimates (2013)
Note: Figures may not sum due to rounding

2.25 The size profile of the tourism business base varies by local authority. The high density in Argyll and Bute is driven by a higher proportion of medium and large businesses. Sole traders are highly represented in the tourism business base in Highland and Orkney, while small businesses are particularly well represented in Shetland.

Business Base Composition in the Sustainable Tourism Sector (2014)								
Geography	Zero Employees		Small		Medium		Large	
	No.	%	No.	%	No.	%	No.	%
Highlands and Islands	**220**	**10%**	**1,940**	**86%**	**55**	**2%**	**40**	**2%**
Highland	*130*	*11%*	*1,020*	*84%*	*30*	*2%*	*35*	*3%*
Argyll & Bute	*40*	*8%*	*455*	*86%*	*15*	*3%*	*15*	*3%*
Moray	*20*	*7%*	*230*	*85%*	*5*	*2%*	*10*	*4%*
Eilean Siar	*10*	*10%*	*90*	*86%*	*0*	*0%*	*0*	*0%*
Orkney	*10*	*12%*	*70*	*82%*	*5*	*6%*	*0*	*0%*
Shetland	*5*	*6%*	*75*	*94%*	*5*	*6%*	*0*	*0%*

Source: IDBR
Note: Figures may not sum due to rounding

Sub-Sectors in the Business Base

2.26 Restaurants and mobile food services and hotels and similar accommodation are the largest sub-sectors within the tourism business base, followed by beverage serving activities and holiday and other short-stay accommodation. These sub-sectors are also the largest in employment terms. In employment terms, the operation of sports facilities is of a similar scale to beverage serving activities, although there is a high concentration of medium businesses in the sector.

Businesses in the Sustainable Tourism Sector by Sub-Sector (2013)			
SIC	Highlands and Islands		Scotland
	No.	%	%
SIC 56.1: Restaurants and mobile food service activities	745	33%	49%
SIC 55.1: Hotels and similar accommodation	585	26%	12%
SIC 56.3: Beverage serving activities	320	14%	23%
SIC 55.2: Holiday and other short-stay accommodation	250	11%	5%
SIC 93.11: Operation of sports facilities	75	3%	3%
SIC 55.3: Camping grounds, recreational vehicle parks and trailer parks	65	3%	2%
SIC 93.29: Other amusement and recreation activities	55	2%	2%
SIC 93.199: Other sports activities (not including activities of racehorse owners) nec	45	2%	3%
SIC 91.02: Museum activities	30	1%	1%
SIC 79.9: Other reservation service and related activities	25	1%	1%
SIC 91.03: Operation of historical sites and buildings and similar visitor attractions	25	1%	0%
SIC 79.12: Tour operator activities	15	1%	1%
SIC 91.04: Botanical and zoological gardens and nature reserve activities	15	1%	0%
SIC 93.21 Activities of amusement parks and theme parks	0	0%	0%
Total	2,255	100%	100%

Source: IDBR
Note: Figures may not sum due to rounding

2.27 The key points to note in terms of the variances in size band by sub-sector are:

- Food and beverage service activities have a high proportion of small businesses. Sole traders are underrepresented in these sub-sectors.
- Hotels and similar accommodation have a higher proportion of medium and large businesses and again sole traders are underrepresented. This contrasts with the profile of holiday and other short stay accommodation and camping grounds where sole traders are highly represented and there is a low proportion of both small and medium businesses.

- Sole traders are also highly represented in other sports activities, tour operator activities and other reservation services.

- In a number of the smaller sub-sectors, the large majority of businesses (if not all) are either sole traders or small. This includes other amusement and recreation activities; museum activities; the operation of historical sites; and botanical and zoological gardens. It should however be noted, that the rounding of numbers may affect the results here.

- The medium and large businesses are distributed over a small number of sub-sectors. However, again it should be noted, that the rounding of numbers may affect the results.

Businesses in the Sustainable Tourism Sector by Sub-Sector (2013)

	Total	Zero Employees		Small		Medium		Large	
	No.	No.	%	No.	%	No.	%	No.	%
Restaurants and mobile food service activities	745	30	4%	695	93%	10	1%	10	1%
Hotels and similar accommodation	585	30	5%	515	88%	25	4%	10	2%
Beverage serving activities	320	20	6%	290	91%	5	2%	10	3%
Holiday and other short-stay accommodation	250	70	28%	175	70%	5	2%	0	0%
Operation of sports facilities	75	10	13%	60	80%	5	7%	0	0%
Camping grounds, recreational vehicle parks and trailer parks	65	20	31%	40	62%	0	0%	5	8%
Other amusement and recreation activities	55	5	9%	45	82%	0	0%	0	0%
Other sports activities	45	10	22%	30	67%	0	0%	0	0%
Museum activities	30	0	0%	30	100%	0	0%	0	0%
Other reservation service and related activities	25	5	20%	15	60%	0	0%	0	0%
Operation of historical sites and buildings and similar visitor attractions	25	5	20%	20	80%	0	0%	0	0%
Tour operator activities	15	10	67%	10	67%	0	0%	0	0%
Botanical and zoological gardens and nature reserve activities	15	0	0%	10	67%	0	0%	0	0%
Total	2,255	220	10%	1940	86%	55	2%	40	2%

Source: IDBR
Note: Figures may not sum due to rounding

Local Assets

2.28 Local assets, alongside key employers and sub-sectoral clusters, have an important role to play in supporting the sector to maximize opportunities in the future and ensuring that the area successfully captures its share of growth and investment in the sector. The key assets for the tourism sector differ from those of other sectors which typically include sectoral research and incubation facilities. In the case of tourism, the key assets focus on the elements of the tourism offer which make it unique and attractive to visitors, including:

- Iconic internationally known destinations, including Loch Ness, Skye and John O'Groats.

- Iconic internationally recognised food and drink products, notably whisky which is particularly important to tourism in Moray and Islay. Food and drink products can also provide the basis for annual festivals.

- The outstanding natural environment. This supports a number of designations – notably the Cairngorms National Park – and strong and varied outdoor activities. This includes specific facilities such as Cairngorm and Glencoe ski centres, internationally regarded golf courses and international competitions in mountain biking, surfing and wind surfing.

GVA

2.29 The Highlands and Islands' tourism sector contributes an estimated £411m to the economy per annum, accounting for 5% of the Highlands and Islands total GVA and 13% of national tourism GVA. This is just slightly lower than the Highlands and Islands share of employment in the sector (14%), reflecting the lower levels of productivity – the Highlands and Islands tourism sector generates £14,018 of GVA per employee, equivalent to 91% of the national average.

2.30 The gap in the productivity level for the tourism sector is, however, smaller than the gap between the overall Highlands and Islands and Scottish economy (with total productivity levels equivalent to 82% of the national average).

2.31 When compared to the other growth sectors, the tourism sector generates the lowest level of GVA per employee of the growth sectors. This is, however, typical of the tourism sector (as demonstrated by the small gap with the national average) and the types of activities that are carried out.

GVA in the Sustainable Tourism Sector (2012)			
		Highland and Islands	**Scotland**
Sustainable Tourism Sector	Total	£410.7m	£3,240.2m
	Per employee	£14,018	£15,341
Whole Economy	Total	£8,211m	£113,819m
	Per employee	£38,369	£46,737
Source: SABS & BRES for the Sustainable Tourism Sector, NUTS1/3 & BRES for the Whole Economy			

2.32 The productivity levels vary by local authority area. Shetland has particularly low levels of productivity (where £8,327 of GVA is generated per employee) which impacts on the Highlands and Islands' average for the tourism sector. However, this may be affected by data limitations, and, in particular, limitations relating to survey sampling in small areas. Data for the sector in Shetland between 2008 and 2012 shows significant fluctuations in the level of GVA that has been generated (measured through SABS) while employment has remained relatively stable (measured through BRES). In contrast, Eilean Siar, Orkney and Moray are all line with or outperform the national levels of productivity for the sector.

GVA in the Sustainable Tourism Sector by Geography (2012)			
Geography	**GVA**	**% of H&I**	**GVA per employee**
Highlands and Islands	£410.7m	100%	£14,018
Highland	*£221.3m*	*54%*	*£14,169*
Argyll and Bute	*£92.3m*	*22%*	*£13,369*
Moray	*£45.6m*	*11%*	*£15,354*
Orkney	*£21.0*	*5%*	*£16,471*
Eilean Siar	*£19.0m*	*5%*	*£16,536*
Shetland	*£11.5m*	*3%*	*£8,327*
Scotland	£3,240.2m	-	£15,341
Source: SABS			

Labour Costs

2.33 Total labour costs for the sustainable tourism sector in the Highlands and Islands are £243m, accounting for 12% of the national tourism total. As with GVA, the average labour costs per employee for the tourism sector are the lowest of the growth sectors, partly reflecting the higher levels of part time employment in the sector. The labour costs per employee are also below the national tourism average and equivalent to 87% of the national average – this is larger than the gap between the Highlands and Islands and national productivity levels.

Labour Costs in the Sustainable Tourism Sector (2012)			
		Highland and Islands	**Scotland**
Sustainable Tourism Sector	Total	£243.3m	£1,989.3m
	Per employee	£8,204	£9,418
Whole Economy	Total	incomplete	incomplete
	Per employee	incomplete	incomplete
Source: SABS & BRES for the Sustainable Tourism Sector, NUTS1/3 & BRES for the Whole Economy			

2.34 Across the Highlands and Islands, the average labour cost per employee varies, although only Orkney outperforms the national average (despite Eilean Siar and Moray outperforming the national productivity levels) contributing to the larger gap between the average labour costs in the Highlands and Islands and Scotland. The lowest labour costs are in Shetland. Although as with GVA, this may be affected by data limitations, and, in particular, limitations relating to survey sampling in small areas.

Labour Costs in the Sustainable Tourism Sector by Geography (2012)			
Geography	**LCs**	**% of H&I**	**LCs per employee**
Highlands and Islands	£243.3m	100%	£8,304
Highland	*£128.3m*	*53%*	*£8,214*
Argyll and Bute	*£58.5m*	*24%*	*£8,473*
Moray	*£24.3m*	*10%*	*£8,182*
Orkney	*£14.1m*	*6%*	*£11,059*
Eilean Siar	*£9.7m*	*4%*	*£8,442*
Shetland	*£8.4m*	*3%*	*£6,083*
Scotland	£1,989.3m	-	£9,418
Source: SABS			

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